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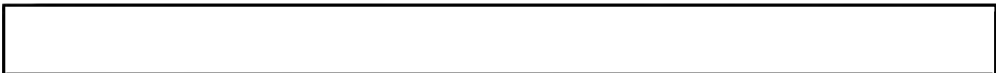
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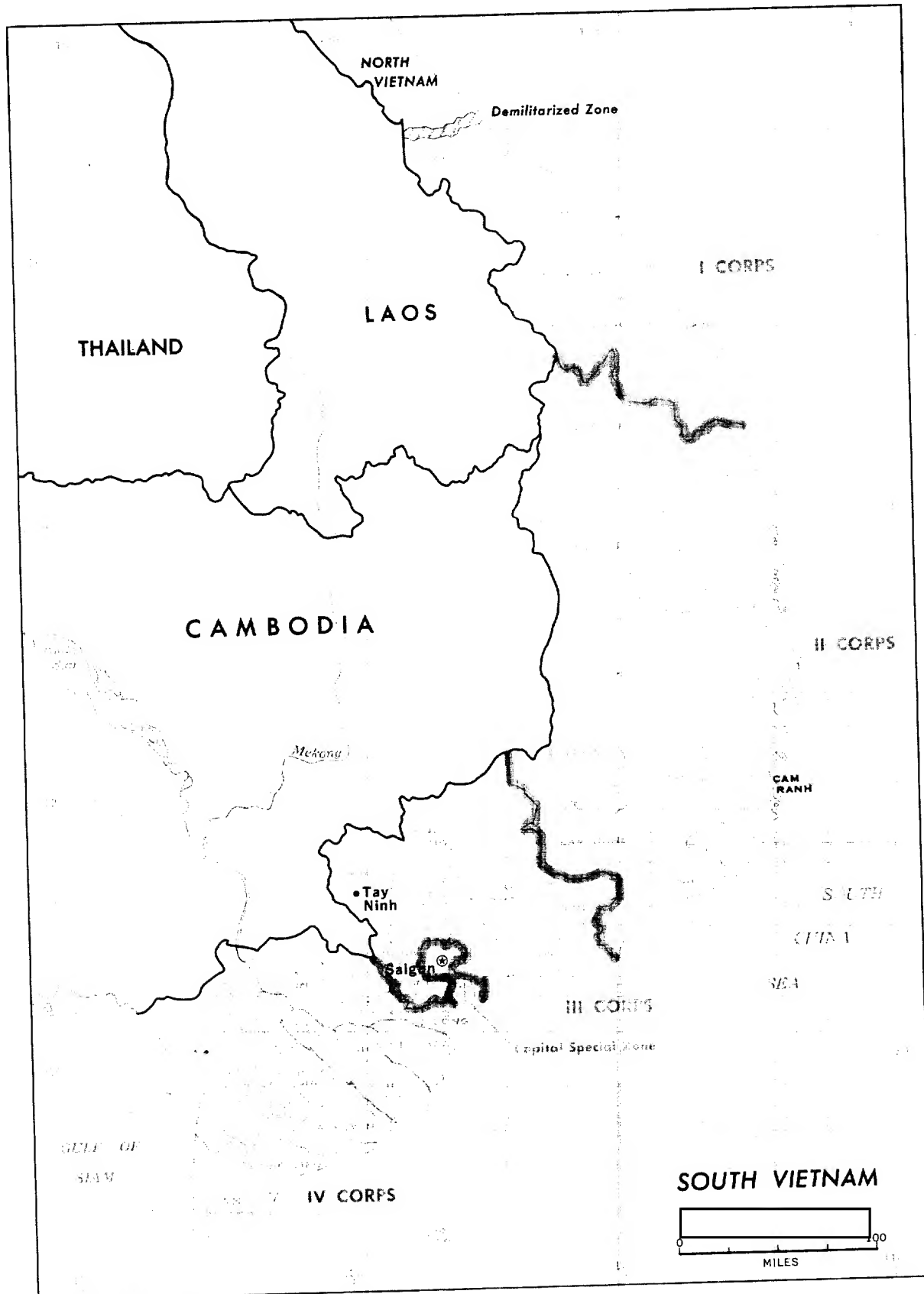
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Vietnam:

South Vietnam: Military action throughout the country on 6 August continued to reflect the low level of fighting of the past two months.

The only significant contact with enemy forces was made southeast of Tay Ninh city where allied troops killed 35 Communist regulars while suffering only a few casualties. On 7 August, the Communists launched a rocket attack against the US base at Cam Ranh Bay. Preliminary reports indicate that two Americans were killed and 98 injured.

Since late June, the South Vietnamese Government has received a considerable number of armed non-Communist dissidents and guerrillas who have not been under the discipline of the Communists. Some of these bands have been operating in the Mekong Delta for years.

The ralliers, numbering well over 1,000, represent a mixed ethnic and politico-religious sect. Many claim to have been fighting the Communists for years, but dared only to attack small Viet Cong units. The group now hopes to be formed into a territorial security force, and to continue to fight the enemy in the delta.

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Communist China: Prolonged factional fighting in some provinces has prompted Peking to issue a new directive underscoring its determination to end local disorders.

A central committee directive dated 23 July calls on factionalists to cease fighting and to surrender their firearms within one month, or be treated as "counterrevolutionaries." [REDACTED]
[REDACTED] this order is now being circulated in the capital of Shansi Province, where "bitter armed factional fighting" is taking place.

Shansi is among more than a dozen areas where armed fighting has been reported since June. Even though the level of disorder remains far below that reached during the height of the Cultural Revolution, it still poses serious obstacles to Peking's current drive to restore political unity. The directive of 23 July, recent propaganda assailing provincial "anarchism," and the appearance in Peking of top leaders from some of the more troubled provinces all suggest that efforts to untangle regional political problems are being intensified. It is doubtful, however, that these latest efforts will be any more successful than previous attempts to end factional fighting. [REDACTED]

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Cambodia: Chief of State Sihanouk is having some difficulty in finding a new prime minister.

General Lon Nol's abrupt decision to withdraw his pledge to form a government suggests that despite protestations to the contrary, Sihanouk is still reluctant to delegate real authority. Lon Nol ran afoul of Sihanouk during an earlier stint as prime minister, and the general presumably sought assurances that this time he would enjoy a relatively free hand in making certain administrative and policy changes.

Prince Norodom Kantol, a former prime minister whose chief asset is his unquestioning loyalty, is now trying to form a government. It is not clear whether he is doing so at Sihanouk's behest, however. Although Kantol's malleability would be a plus factor, Sihanouk also realizes that a Kantol government would not provide the kind of leadership he claims Cambodia needs to cope with its chronic domestic problems.

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Argentina: The Ongania government is increasingly concerned about reports of unrest within the armed forces.

On 5 August the government closed for an indefinite period Primera Plana, one of the most widely circulated weekly news magazines in Latin America, and confiscated its current edition. No official explanation for the action was given, but the magazine had recently published reports alleging military dissatisfaction with the government. The ultranationalist periodical Azul y Blanco and the organ of the antigovernment Bloc of unions within the General Labor Confederation had been closed recently, probably also because of reporting about military unrest.

The cause of the government's increasing nervousness appears to be a series of events--not necessarily related--that have occurred during the past five months. These have included numerous terrorist attacks, worker and student violence that has claimed more than 20 lives, an abortive antigovernment plot in Cordoba, and the arrest of three senior colonels and forced retirement of an ultranationalist general for fomenting discontent with the government. These incidents have resulted in a measurable decline in military confidence in the government.

[redacted] unless the administration moves rapidly to resolve socio-economic problems, further unrest is likely. Troops would probably then have to be used to quell the disturbances, and the wedge between the military and the rest of the country would be driven deeper.

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Chile: The power struggle within the Socialist Party threatens to split the party and end the possibility of a leftist unity front in the presidential election next year.

The latest development--a decision that the candidate will be named by the central committee rather than by the party congress--undercuts Senator Salvador Allende, who has Communist backing for nomination by the Communist-Socialist Popular Action Front. Allende has considerable grass-roots strength and would probably draw support from a broad group of voters. The central committee, however, would be likely to name a candidate less committed to nonviolence, such as the party's secretary general, Aniceto Rodriguez.

If Rodriguez is nominated, Allende may launch his own candidacy, possibly with the support of the Communist Party, some dissident Socialists, and a break-away group of leftist Christian Democrats. He probably believes that such a maneuver could thwart the efforts of Radomiro Tomic, the probable Christian Democratic candidate, to gain support from rank-and-file Socialists and Communists even though the leadership of both parties has rebuffed his approaches.

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USSR-Czechoslovakia: Soviet leaders are giving priority attention to Czechoslovakia as the anniversary of the invasion approaches. Czechoslovak party chief Husak and President Svoboda have been meeting with Soviet leaders in the USSR since last weekend. The press blackout of their activities suggests that major issues are being decided--including political and security preparations for the anniversary and possibly an official Czechoslovak justification of the invasion. Yesterday, General Yepishev, the political chief of the Soviet armed forces, arrived in Prague for "mutual consultations" with Czechoslovak military leaders. [REDACTED]

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Italy: Premier Rumor's new minority Christian Democratic government is expected to adopt the domestic program of the preceding center-left government. Foreign Minister Aldo Moro is likely to maintain Italian foreign policy along present lines. Political leaders plan to try to re-establish a center-left government after public opinion is measured in local elections, either late this year or next spring. In the meantime, the inclusion of a broad spectrum of Christian Democrats in the cabinet may give the party more cohesion. [REDACTED]

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Yugoslavia: Yugoslavia's trade deficit for the first seven months of 1969 has almost reached the total for all of 1968. This deficit, nearly \$450 million, is due primarily to the high level of imports from convertible currency areas. Although increased net earnings from tourism, transport, and other services will partially offset the trade deficit, the current account deficit with convertible currency areas probably still will exceed that of 1968.

Yugoslav officials want to avoid imposing further import restrictions, which would run counter to the economic reform now being implemented. Moreover, Tito recently urged a prompt revision of foreign exchange regulations to encourage expansion of exports.

[REDACTED]

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